



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

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THIS MEMO HAS BEEN REPLACED BY OSUP MEMO #2007-24, DATED DECEMBER 21, 2006

April 20, 2006

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2006-52

TO: All ISIS HR Paid Agencies

FROM: Jena W. Cary
Director

SUBJECT: Non-Resident Aliens

The Internal Revenue Service [Notice 2005-76](#) dated October 31, 2005, announced a new procedure for determining the amount of income tax employers are required to withhold from wages paid for services performed by non-resident alien employees. The procedure is to be effective January 1, 2006, but the IRS provides transitional relief until January 1, 2007, provided the employer takes steps to implement the requirements as soon as possible.

Master Data Corrections Needed in Connection with Non-Resident Aliens:

The Office of State Uniform Payroll ran reports and found that many inconsistencies exist in ISIS HR employee records in regards to Residence Status, Nationality and Withholding. Many employee records have empty fields and/or inconsistent fields that need to be corrected. **Agencies must immediately begin a review of all employees and make any corrections necessary prior to July 31, 2006.** To assist in this review, agencies can use ZP135, Flexible Employee Data Report, using **Display** Variant /NRA "non-resident alien research", to determine which employees need to be reviewed in your agency. The report displays Adjusted Leave Service Date, Adjusted Service Date, Agency Hire Date, Nationality, and Residence Status texts. The data can be sorted by Nationality or Residence Status texts to show employees that may need to be corrected/updated.

Agencies are responsible for determining if an employee is a non-resident alien, resident alien, or citizen, and for correctly coding the Residence Status field on Infotype 94 and the Nationality field on Infotype 02 in ISIS HR. The Nationality and Residence Status fields must be completed for **all** employees. Nationality should be the country where the employee was born or holds citizenship. Code the Resident Status field as follows:

- Non-resident alien employees must be coded "Non-Resident Alien".
- Resident aliens and green-card holders must be coded "Non-Citizen".
- All natural-born citizens and naturalized citizens must be coded "Citizen".

Many factors determine the difference between a non-resident alien and a resident alien, such as visa type and length of stay in the United States. For a definition of non-resident alien and resident alien statuses, agencies should refer to IRS Publication 519 Chapter 1, <http://www.irs.gov/publications/p519/ch01.html>.

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Until further instructions from OSUP, agencies must instruct all non-resident alien employees to continue to claim either Single with zero allowances, or Single with one allowance, and must add an additional amount of \$15.30 per biweekly pay period on Line 6 of Form W-4 until 2007. If the non-resident alien is a resident of Canada, Mexico, Japan, or South Korea, he or she may claim more than one allowance. Agencies must correct withholding records (Infotype 210) to reflect the corrected W-4 on each of these employees, if necessary. If the employee does not complete the W-4 correctly, the agency still must update the withholding record to read Single with one allowance plus an additional \$15.30 per biweekly pay period. State withholding is not affected by non-resident alien regulations, as the state taxable wages do not include a reduction for standard deduction. The employees' L-4 can be completed at their discretion.

Agencies are responsible for continuously monitoring the status of these employees and for changing the Residence Status field and updating the withholding record when any employee status changes from non-resident alien to resident alien.

New Regulations:

The new law states that employers must add an additional \$102 (per biweekly pay period) to wages before calculating taxes. However, this additional amount is not income to the employee and is not subject to Social Security, Medicare, or retirement. This addition to wages will compensate for the fact that non-resident aliens are not allowed a standard deduction on their annual tax return.

The previous requirement of an additional amount of \$15.30 to be withheld per biweekly pay period will be eliminated. The purpose of the law change is to withhold taxes in an amount that more closely reflects the amounts that ultimately will be the employees' tax liabilities for the year.

Implementation:

OSUP will conduct another review of employee records in August to determine the correctness of ISIS HR master data and to determine the number of employees affected. A decision will be made at that time as to how the change will be implemented, and the change will be coordinated with OIS. Before the implementation date, another memo to agencies will be issued explaining how the change will be implemented and giving instructions for updating withholding records.

Questions on the use of ZP135 should be directed to the ISIS HR Help Desk at (225) 342-2677. Questions regarding determining the correct individual employee status should be directed to the IRS using the above referenced link. Any other questions should be directed to a member of the OSUP Wage and Tax Administration Unit at (225):

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